

PITKIN GAS UTILITY
DISTRICT No.1

ANNUAL COMPILATION

December 31, 2012

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date AUG 21 2013

PITKIN GAS UTILITY DISTRICT No. 1
December 31, 2012

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ACCOUNTANT'S COMPILATION REPORT

Board of Commissioners
PITKIN GAS UTILITY DISTRICT No. 1

I have compiled the accompanying financial statements of the business-type activities of Pitkin Gas Utility District No. 1, as of and for the year ended December 31, 2012, which comprise the District's basic financial statements as listed in the table of contents. I have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States of America.

The management of Pitkin Gas Utility District No. 1 is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

My responsibility is to conduct the compilation in accordance with Statements on Standard for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist the management of Pitkin Gas Utility District No. 1 in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements. During my compilation, I did become aware of a departure from accounting principles generally accepted in the United States of America that is described in the following paragraph.

Management has not presented the management's discussion and analysis information that the Government Accounting Standards Board has determined is required to supplement, although not required to be a part of, the basic financial statements.

The supplementary information contained in Schedule 1 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information has been compiled from information that is the representation of management. I have not audited or reviewed the supplementary information and, accordingly, do not express an opinion or provide any assurance on such supplementary information.

Elliott & Assoc. "APAC"

Leesville, Louisiana

June 28, 2013

BASIC FINANCIAL STATEMENTS

PITKIN GAS UTILITY DISTRICT No. 1

STATEMENT OF NET POSITION

December 31, 2012

ASSETS**ASSETS****Current assets**

Cash and cash equivalents(Note 2)	\$ 280,646
Receivables:	
Service customers (Note 3)	12,391
Accrued interest	<u>295</u>

Total current assets	<u>293,332</u>
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Noncurrent assets

Capital assets, net of accumulated depreciation(Note 4)	<u>20,768</u>
	<u>20,768</u>

Total noncurrent assets	
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<u>TOTAL ASSETS</u>	\$ <u>314,100</u>
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See accompanying notes and accountant's compilation report.

LIABILITIES

Current liabilities

Accounts payable	\$ ---
Salaries payable	3,640
Payroll taxes payable	<u>1,254</u>

Total current liabilities	<u>4,894</u>
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**Current liabilities payable from
restricted assets:**

Customer deposits payable	<u>10,050</u>
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Total current liabilities payable from restricted assets	<u>10,050</u>
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TOTAL LIABILITIES	<u>14,944</u>
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NET POSITION

Investment in capital assets	20,768
Unrestricted	<u>278,388</u>

TOTAL NET POSITION	<u>\$ 299,156</u>
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EXHIBIT B

PITKIN GAS UTILITY DISTRICT No. 1
Statement of Activities
For the year ended December 31, 2012

Operating revenues:	
Refunds	\$ 7,789
Gas sales	95,570
Delinquent surcharges	1,733
Installation/connection fees	<u>692</u>
Total operating revenues	<u>105,784</u>
Operating expenses:	
Current:	
Gas purchases	24,941
Salaries and payroll taxes	73,658
Office expense	8,463
Rent	360
Insurance	5,555
Depreciation (Note 4)	5,583
Management fees	<u>4,400</u>
Total operating expenses	<u>122,960</u>
Operating income (loss)	<u>(17,176)</u>
Nonoperating revenues (expenses):	
Interest income	1,958
Miscellaneous income	<u>1,403</u>
Total nonoperating revenues (expenses)	<u>3,361</u>
Net (decrease) increase in net position	(13,815)
Net position, beginning of the year	<u>312,971</u>
Net position, ending of the year	<u>\$ 299,156</u>

See accompanying notes and accountant's compilation report.

PITKIN GAS UTILITY DISTRICT NO.1
Statement of Cash Flows
For the year ended December 31, 2012

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$101,911
Cash payments to suppliers	
For goods and service	(43,445)
Cash payments to employees for services	<u>(77,298)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(18,832)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Miscellaneous income	<u>1,403</u>
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES	<u>---</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
DOTD	<u>---</u>
NET CASH FROM CAPITAL FINANCING ACTIVITIES	<u>---</u>
CASH FLOWS FROM INVESTING ACTIVITIES	<u>---</u>
Interest received	<u>1,958</u>
Increase (decrease) in cash	(15,471)
CASH, BEGINNING OF YEAR	<u>296,117</u>
CASH, END OF YEAR	<u>\$280,646</u>
CLASSIFIED AS:	
Unrestricted	\$280,646
Restricted	<u>---</u>
TOTAL CASH	<u>\$280,646</u>

There were no material noncash capital financing activities, noncapital financing activities, or investing activities that affected recognized assets or liabilities during the year.

See accompanying notes and accountant's compilation report.

PITKIN GAS UTILITY DISTRICT No. 1
Statement of Cash Flows
For the year ended December 31, 2012

RECONCILIATION OF NET OPERATING INCOME TO NET CASH PROVIDED BY OPERATING
ACTIVITIES

Operating income (loss)	\$ (17,176)
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Adjustments to reconcile operating income to net cash provided by operating activities:	
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Depreciation	5,583
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Changes in assets and liabilities:	
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Accounts receivable	3,998
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Accounts payable	(10,732)
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Other receivables	---
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Other current liabilities	(532)
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Customer deposits	<u>27</u>
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Net cash provided by operating activities	<u>(\$18,832)</u>
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GAS UTILITY DISTRICT NO. 1 OF VERNON PARISH
Notes to the Financial Statements
December 31, 2012

Note 1. Summary of Significant Accounting Policies

The accounting and reporting policies of Gas Utility District No.1 of Vernon Parish (the District) conform to accounting principles generally accepted in the United States of America as applicable to governments. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:517 and to the guidance set forth in the *Louisiana Governmental Audit Guide*, and to the industry audit guide, *Audits of State and Local Governmental Units*. The following is a summary of certain significant accounting policies.

Reporting Entity

The reporting entity for Gas Utility District No.1 of Vernon Parish consists of itself only whose members elect their board members periodically.

Fund Accounting

The accounts of Gas Utility District No.1 of Vernon Parish are organized on the basis of Enterprise Fund accounting used by governmental entities. The Enterprise Fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

GAS UTILITY DISTRICT NO.1 OF VERNON PARISH
December 31, 2012
Notes to the Financial Statements (continued)

Method of Accounting

The District has adopted the provisions of Statement 34 of the Governmental Accounting Standards Board, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. Statement 34 established standards for external reporting for all state and local governmental entities, which includes a statement of net position, a statement of activities and changes in net position and a statement of cash flows. It requires the classification of net position into three components - net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

Equity Classifications

In the accompanying statements, equity is classified as net position and displayed in two components:

- a. Invested in capital assets - consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets
- b. Unrestricted net position - all other net position that do not meet the definition of "restricted" or "invested in capital assets"

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund are charges to customers for sales and services. The District also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

GAS UTILITY DISTRICT NO.1 OF VERNON PARISH
December 31, 2012
Notes to the Financial Statements (continued)

Cash, Cash Equivalents and Investments

Under state law, the District may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state of the Union, or the laws of the United States. The District may invest in certificate and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana.

The District considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Utility Customer Receivables

Utility customer receivables on the accompanying Statements of Net Assets are considered to be fully collectible at December 31, 2012. Uncollectible amounts are recognized as bad debts through the establishment of an allowance account at the time information becomes available, which would indicate the uncollectibility of an account.

Capital Assets

All capital assets of the proprietary fund are recorded at historical costs. Depreciation of all exhaustible fixed assets is charged as an expense against their operations. Pre-construction costs associated with the development of the water system, which include engineering, legal, and interest costs are capitalized and will be amortized over their estimated useful lives using the straight-line method. The District maintains a threshold level of \$1,000 or more for capitalizing capital assets.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives and methods are used to compute depreciation:

Building	45 years
Straight Line	
Plant and Distribution System	45 years
Straight Line	
Furniture, Fixtures and Equipment	3-11 years
Straight Line	

Depreciation expenses amounted to \$5,583 for the year ended December 31, 2012.

GAS UTILITY DISTRICT NO.1 OF VERNON PARISH
December 31, 2012
Notes to the Financial Statements (continued)

Compensated Absences

No liability is recorded for compensated absences that relate to future service or that are contingent on a specific event that is outside the control of the employer and employees.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimated and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

NOTE 2--CASH AND INVESTMENT COLLATERAL

Under state law, the District may deposit funds with a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The District may invest in United States bonds, treasury notes, time certificates of deposit of any bank domiciled or having a branch office in the State of Louisiana, investments as stipulated in state law, or any other federally insured investment.

At December 31, 2012, the District had cash and investments as follows:

	<u>UNRESTRICTED</u>	<u>RESTRICTED</u>	<u>TOTAL</u>
Cash (demand deposits) and certificate of deposit	<u>\$280,646</u>	<u>\$ ---</u>	<u>\$280,646</u>

Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, the District's deposits may not be recovered or will not be able to recover the collateral securities that are in the possession of an outside party. These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

GAS UTILITY DISTRICT NO. 1 OF VERNON PARISH
Notes to the Financial Statements (Continued)

At year end, the carrying amount of the District's deposits (demand deposits and certificates of deposit) were \$296,878 and the bank balances were \$296,117. A summary of collateralization of bank balances is presented below.

Insured (Federal deposit insurance)	\$286,878
Uncollateralized (In accordance with GAAP)	---
	<u>\$286,878</u>

As of December 31, 2012, the District's total bank balances were fully insured and, therefore, they were not exposed to custodial credit risk.

NOTE 3--ACCOUNTS RECEIVABLE

Receivables at December 31, 2012 consist of the following:

Accounts	\$ 12,391
Less: Allowance for doubtful accounts	-----
Net total receivables	<u>\$ 12,391</u>

Note 4--CHANGES IN CAPITAL ASSETS

Capital assets are recorded at cost less accumulated depreciation. Depreciation is calculated by the straight-line method over the estimated useful life of the various classes of assets.

The following is a summary of changes in capital assets for year ended December 31, 2012:

	<u>Transmission System</u>	<u>Anodes and Equipment</u>	<u>Total</u>
December 31, 2011	\$ 161,149	\$ 64,781	225,930
Additions	---	---	---
Deletions	---	---	---
December 31, 2012	<u>161,149</u>	<u>64,781</u>	<u>225,930</u>

The following is a recap of accumulated depreciation for the year ended December 31, 2012:

<u>Balance</u> <u>12/31/11</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/12</u>
<u>\$(199,579)</u>	<u>\$(5,583)</u>	<u>\$---</u>	<u>\$(205,162)</u>

GAS UTILITY DISTRICT NO. 1 OF VERNON PARISH
Notes to the Financial Statements (Continued)

NOTE 5--RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft or damage and destruction of assets, errors and omissions, injuries to employees, and natural disasters.

The District carries commercial insurance as outlined in the following table. Settled claims did not exceed commercial coverage for any of the past three fiscal years.

	LIMITS OF COVERAGE
Workmen's compensation	\$1,000,000
Auto liability	N/A
Commercial general liability	3,000,000
District-owned buildings and equipment	N/A

The District covers all other losses, claim settlements, and judgments from operating resources. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated.

The District was not involved in any litigation during the year ended December 31, 2012, nor did it have asserted claims lodged against it.

SUPPLEMENTARY INFORMATION

Schedule 1

GAS UTILITY DISTRICT NO. 1 OF VERNON PARISH

SCHEDULE OF COMPENSATION PAID BOARD MEMBERS

For the year ended December 31, 2012

The Board of Commissioners of the Gas Utility District No. 1 of Vernon Parish served without compensation for the year ended December 31, 2012.

See accountant's compilation report.

GAS UTILITY DISTRICT NO. 1 OF VERNON PARISH

Summary Schedule of Current Findings
and Management's Corrective Action Plan (Continued)
Year ended December 31, 2012

Compliance:

12-1(C) Finding: *This audit is not being issued within the six months of the close of its December 31, 2012 fiscal year-end. This is a violation of LSA R.S. #24:513 (A) (5).*

Management response:

The District's financial statement issuance was delayed due to the auditor's implementation of pre-issuance review process and quality control enhancement.